

# THE FINANCING OF THE ADMINISTRATIVE – TERRITORIAL UNITS IN THE WEST DEVELOPMENT REGION THROUGH THE REGIONAL OPERATIONAL PROGRAMME 2007 - 2013

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*The research approaches the theoretical and empirical aspects regarding the way the Romanian administrative-territorial units and development regions are organized and function, with emphasis on the West Development Region. It also focuses on the way the local autonomy is exercised and the administrative-territorial units may cooperate in order to perform common projects.*

*Furthermore, the financial resources of the Romanian administrative-territorial units are analyzed, with focus on the non-reimbursable funds available during the period 2007 – 2013 through the Regional Operational Programme 2007 – 2013, resources which allow the implementation of the European Union principles of cohesion policy.*

*The status analysis of the implementation of the projects submitted by the administrative-territorial units from the West Development Region and financed through the Regional Operational Programme 2007 – 2013 highlights which are the main areas of interest for the authorities of the public local administration and gives practical solutions for the reduction of the intra-regional development gaps.*

*This article is intended to be a guide for the administrative-territorial units in the systematic mobilization of the existing local energies and resources by means of projects which should meet the specific needs for development and which should involve the attraction of non-returnable funds with a minimum effort of co-financing.*

*Keywords: administrative-territorial units, non-reimbursable funds, region, local autonomy, projects.*

*JEL: F36, O18, O22, R58.*

## **1. Introduction**

In the current context, when the Romanian economy deals with the strong effects of the global economic crisis, the local public authorities incur difficulties in the settlement of the problems they deal with and in finding long term development solutions.

The first step to be taken by a local public authority in order to perform a coherent and durable development of the community is represented by the elaboration of projects in conformity with the development needs.

In such a situation, the financial support granted by the European Union to the member states by means of the structural instruments which finance the policy of economic and social cohesion represents an important opportunity of development for the administrative-territorial units.

## **2. The Administrative Organization of the Romanian Territory**

In Romania, the communes, towns, municipalities and counties are defined as administrative-territorial units within which the local autonomy is exercised and the authorities of the local public administration are organized and operate.

The local, communal, town, municipality and county councils, as deliberative authorities, and also the mayors and the presidents of county councils as executive authorities have the duties to solve the public matters of the community, acting as authorities of the Romanian public administration.

According to the Law of the public administration no. 215 dated on the 23<sup>rd</sup> April 2001, with its subsequent amendments and addendums, in Romania, the local autonomy is only administrative and financial, having as objective the organization, operation, competencies and tasks, and also the management of the inland resources.

The principle of the local financial autonomy implies the fact that the administrative-territorial units have the right to financial resources, which can be used by the authorities of the local public administration when exercising their tasks. The authorities of the local public administration administer or, as the case may be, dispose of the financial resources, and also of the goods in public or private property of the communes, towns, municipalities and counties, in conformity with the principle of local autonomy (Law 215/2001, article 10).

### **3. The Development Regions**

#### ***3.1. Definition of the Development Regions***

The region notion bears several definitions, according to the type of the European institution which uses it.

The European Union defines the region as “the immediately inferior unit of the state”.

For the European Parliament, the region is “a territory which forms, geographically, a net unit, or a similar assemble of territories which has continuity, where the population has certain common elements and desires to maintain its specific feature thus resulted and to develop it in order to stimulate the cultural, social and economic progress”.

The European Council considers the region “as a medium size interval which can be geographically delimited and which is considered to be homogenous”.

The Assembly of the European Regions defines the regions as “political entities inferior to the state, which dispose of certain competencies exercised by a government, which in return answers before an assembly democratically elected”.

For the European Union, by means of EUROSTAT, there was elaborated the legal framework for the territorial and geographical division of the European Union territory, in order to coordinate the national and communitarian statistics: The Nomenclature of the Territorial Units for Statistics – NUTS (Common classification of territorial units for statistics).

In Romania, the development regions comply with the provisions of the EC Regulation no. 1059/2003 regarding the settlement of a common classification for statistics of the territorial-statistic units for the regions NUTS II and NUTS III and it represents the framework for the collection of specific statistic data in conformity with the European regulations elaborated by EUROSTAT for the statistic territorial level NUTS II.

Thus, in order to provide stability to the NUTS classification, the Law no. 315/2004 regarding the regional development consecrate the composition of the regions NUTS II, by specifying the counties which are part of the respective regions. Thus, at the end of 1998, eight development regions were created. They represent the framework for the elaboration, implementation and assessment of both the regional development policy and the programs of economic and social cohesion.

#### **3.2. The West Development Region**

The West Development Region is administratively-territorially made of four counties: Arad, Caraş-Severin, Hunedoara and Timiş. The West Region has a surface of 32,034 km<sup>2</sup>, representing 13.4% of the country's surface.

Within the West Region, 323 territorial administrative units are registered, which could be distributed as following: 12 municipalities, 30 towns and 281 communes made of 1327 villages. On the 1<sup>st</sup> January 2010, the population of the West Region was of 1,919,434 inhabitants, representing 8.94% of the Romanian territory's population.

### **4. The available financial resources for the Romanian administrative-territorial units**

The budget represents the document by which each year there are provided and approved the incomes and expenses or, as the case may be, only the expenses, according to the funding system of the institutions (in conformity with the Law 273 of the 29<sup>th</sup> June 2006 regarding the local public finances, article 2).

The public expenses from the local budgets are materialized in the acquisition of goods and services by the local authorities for the citizens, in the payments made to the citizens in the form of transfers (pensions, subventions, unemployment allowance, etc), and also in the payment of the loans contracted by the main credit authorizing officers.

The local budget incomes are made of: inland incomes (made of revenues, taxes, contributions, other payments, other incomes and defalcated quotas from the income revenue), defalcated amounts from some incomes of the state budget, subventions got from the state budget and from other budgets, donations and sponsorships, sums received from the European Union and/or other donors on behalf of the performed payments and pre-financing (Law 273/2006, article 5).

The inland incomes are the incomes realized locally by the authorities. The level and sources of these incomes are controlled and decided by the local authorities.

The incomes coming from the national level have as main objective to correct the possible unbalances which occur locally both vertically (the level of the local revenues and taxes do not cover the expenses necessary for the provision of public services), and horizontally, since not all the collectivities manage financially in the same way, although they have the obligation to provide equivalent services, both in quality and in quantity.

The authorities of the local public administration have the possibility to complete their own financial resources by contracting internal or external loans, which they could use to both realize public investments of local interest or to re-finance the local public debt.

According to the Law of the local public finances, the local budget incomes could be made also of the non- reimbursable funds granted by the European Union. Thus, as a Member State of the European Union, Romania participates with full rights in the policy of economic and social cohesion of the European Union.

The cohesion policy of the European Union has as objective the reduction of the development gaps between the member states and between the richest and poorest regions, being financed from the budget of the European Union from three funds: The European Fund for Regional Development, The European Social Fund and The Cohesion Fund, referred to as the Structural Instruments.

Within this policy, during the programming period 2007 – 2013, Romania benefits from a financial support in value of 19.667 billion Euros from the Structural Instruments. They represent financial instruments by which the European Union finances the cohesion policy in Romania, taking act for the removal of the economical and social disparities, in order to perform the economic and social cohesion.

## **5. The Regional Operational Programme 2007-2013 (ROP)**

### ***5.1. ROP in Romania***

The Regional Operational Programme 2007-2013 represents one of the seven operational programmes elaborated by Romania and adopted by the European Commission and it is financed by the European Fund for Regional Development. The Regional Operational Programme pursues to support the economical and social development of the Romanian regions, both territorially balanced and durable, according to their needs and specific resources, by focusing on the growth urban poles and on the improvement of the infrastructure conditions and of the business environment.

ROP operates in all the eight development regions of Romania, being allocated throughout the current program period 4.178 billion Euros for the purpose of the local and regional integrated development.

The management, administration and implementation of ROP are borne by the Ministry of Regional Development and Tourism (MDRT), which is appointed as the Management Authority for this programme. The eight Agencies for Regional Development and the Directorate of Communitarian Funds Management for Tourism within the MDRT are designated as Intermediary Bodies for the ROP implementation. The Intermediary Bodies bear the responsibility of fulfilling the tasks delegated to them by the Management Authority.

The main eligible applicants to obtain finances through the Regional Operational Programme 2007 – 2013 are the authorities of the local public administration.

### 5.2. The status of the ROP implementation in the West Region

The financial grant for the West Region in the period 2007 – 2013 managed by the West Regional Development Agency (acting as Intermediary Body for the ROP implementation) is of 416.52 million Euros, representing approximately 10.34% of the total funds granted to ROP financing.

Until the 15<sup>th</sup> April 2011, 696 projects were submitted to the head office of the West Regional Development Agency, in order to request non-reimbursable financing.

139 projects were contracted, their total value being 350.93 million Euros, of which 254.46 million Euros represent the value of the non-returnable funds, the contracting degree being of 61.09%. 392 projects are under various stages of assessment, pre-contracting or reserve, having a total value of approximately 796.75 million Euros, of which approximately 569.49 million Euros represent the value of the non-reimbursable financing.

Synthetically, the ways which the key areas of intervention of ROP are accessed are presented in the table below:

**Table 1. The implementation of Regional Operational Programme 2007 – 2013 in West Development Region (million Euros)**

Key areas of intervention	Regional financial allocation	Submitted projects		Contracted projects		Projects under assessment/pre-contracting/reserve		Rejected projects		Contracting degree**	Funds use degree***
		No.	Requested financing	No.	Requested financing	No.	Requested financing	No.	Requested financing		
1.1. Integrated Urban Development Plans	42,29	24	72,51	10	42,07	12	22,81	2	7,63	99,48%	153,41%
1.1 „Urban development poles” (Arad and Deva)	28,19	14	28,22	-	-	13	27,57	1	0,65	0,00%	97,80%
1.1 „Urban growth poles” (Timisoara)	70,49	9	36,09	-	-	9	36,09	-	-	0,00%	51,20%
2.1. County roads and urban streets	88,84	52	338,15	13	110,97	29	172,36	10	54,82	124,91%	318,92%
3.1. Health services’ infrastructure	17,59	26	52,05	3	2,35	18	46,87	5	2,83	13,36%	279,82%
3.2. Social care infrastructure	10,08	42	24,93	7	4,18	16	9,39	19	11,36	41,47%	134,62%
3.3. Interventions in emergency situations	10,08	1	9,54	1	9,54	-	-	-	-	94,64%	94,64%
3.4. Infrastructure for education	28,87	71	148,8	18	27,92	41	95,08	12	25,8	96,71%	426,05%
4.1. Business support structures	27,81	23	74,39	2	8,84	17	50,86	4	14,69	31,79%	214,67%
4.2. Polluted industrial sites	23,85	3	32,03	-	-	3	32,03	-	-	0,00%	134,30%
4.3. Micro-enterprises: ****	20,69	383	49,9	79	8,34	218	32,29	86	9,27	40,31%	196,38%
5.1. Cultural heritage infrastructure	23,85	18	66,35	3	24,63	6	13,88	9	27,84	103,27%	161,47%
5.2. Tourism infrastructure	23,89	30	91,66	3	15,62	10	30,26	17	45,78	65,38%	192,05%
<b>TOTAL</b>	<b>416,52</b>	<b>696</b>	<b>1024,62</b>	<b>139</b>	<b>254,46</b>	<b>392</b>	<b>569,49</b>	<b>165</b>	<b>200,67</b>	<b>61,09%</b>	<b>197,82%</b>

Source: data supplied from West Regional Development Agency and processed by author

\* The values of the projects were calculated in million Euros

\*\* (contracted value / regional allocation)

\*\*\* ((value of submitted projects – value of rejected projects) / regional allocation)

\*\*\*\* Administrative-territorial units are not eligible

Due to the great number of submitted projects, the most of the key areas of intervention were closed and no further projects could be submitted for them, except 1.1, 3.3 and 4.2.

It can be noticed that the most attractive key area of intervention for administrative-territorial units was 2.1, dealing with the financing for the road infrastructure, mostly county roads.

The second area of intervention is represented by the educational infrastructure financing, mostly for the schools rehabilitation.

Regarding the rehabilitation of the patrimonial touristic objectives, due to the considerable value of the projects, only 3 projects could be financed, according to the regional allocation.

On the key areas of intervention where the rule of the state aid is applied (4.1 and 5.2), due to the high level of co-financing, administrative-territorial units from the West Region were not very interested to submit projects, regional allocation being covered from projects submitted by private companies.

Also, where the rule “first-come, first-served” applied, a high competition was recorded and the available funds were quickly finished, in comparison with the key areas of intervention where the funds were distinctively granted for administrative-territorial units acting as “urban development poles” and “urban growth poles” respectively, for which even up to the current date there were not submitted sufficient projects to cover the allocated funds.

## **Conclusions**

In Romania, the communes, towns, municipalities and counties are the administrative-territorial units within which the local autonomy is exercised and where the authorities of the local public administration are organized and operate, having the purpose to solve the public matters of the community. For the purpose of carrying out certain projects of common interest, the administrative-territorial units could cooperate together or could be associated, forming partnerships or associations of inter-communitarian development.

The solving of the community problems depends on the level of the available resources, on the management quality of such funds, but also on the cooperation between the various structures of the local administration.

The degree of the local autonomy of a community depends to a great extent on the amount of the incomes realized locally correlated with other income resources of the local budgets. The ideal situation would be that the inland incomes could cover the expenses made in order to fulfill the local needs. But for that purpose, the competences of the local authorities should be correlated with the incomes of the local budgets, and in reality this happens very rarely.

The development regions of Romania do not have the statute of administrative units, but they represent territorial units large enough to constitute a good basis for the elaboration and implementation of regional development strategies, allowing an efficient use of the financial and human resources. The scope for which these development regions were created had in view the support granted for the larger communities in their action to settle the problems which go beyond the administrative borders and which surpass the financial possibilities of one county.

By implementing the Regional Operational Programme 2007 – 2013 it is intended to reduce the inter-regional disparities, and also the disparities inside the regions, between the urban and rural areas, between the urban centers and their adjacent areas, and, within the towns, between the attractive and non-attractive areas for the investors.

The regular assessment of the progress recorded by Romania in the process of European integration has constantly showed the necessity to strengthen the capacity of the administrative-territorial units by means of projects which should allow the attraction of non-returnable funds with a reduced effort of own co-financing.

**Acknowledgments:** "This article is a result of the project “Creșterea calității și a competitivității cercetării doctorale prin acordarea de burse”. This project is co-funded by the European Social Fund through The Sectorial Operational Programme for Human Resources Development 2007-2013, coordinated by the West University of Timisoara in partnership with the University of

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